

Memorandum

To: All DTS Customers
All Data Processing Managers

Date: January 19, 2007

From: P.K. Agarwal, Director
Department of Technology Services

Subject: FY 2006/07 Billing Rates Adjustment - Phase II

The Department of Technology Services (DTS) is pleased to announce the second phase billing rate changes for FY 2006/07. This is the second of three rate adjustments designed to consolidate DTS service offerings. The first was announced on July 1, 2006, and DTS rates were reduced by approximately \$16.3 million. This second adjustment addresses additional service areas and provides further decreases to rates. A third rate adjustment will also be proposed for FY 2007/08, as DTS completes the consolidation of service offerings. The overall goals of these rate adjustments are to:

- Align rates where there are common or similar services at both DTS data center facilities
- Eliminate rates, where possible, in an effort to simplify the cost-recovery model for DTS customers
- Bring each service to, or as close to, breakeven as possible

The following is a summary of key changes, with effective dates noted:

Mainframe Application Hosting/Central Processor Unit (CPU)

A decrease of 25 percent, reducing the current rate of \$1,392.00/hour* to \$1,044.00/hour* for all DTS MVS/OS390/zOS mainframe customers. **This rate reduction is retroactively effective July 1, 2006.** Credits will appear on DTS invoices for February and/or March utilization.

Dedicated Web Hosting

Effective July 1, 2007, DTS is adopting a common rate for Dedicated Web Hosting support. The new rate will be \$848 per server, per month, and is charged in addition to the server platform rates (i.e., Solaris, Wintel and AIX), which begin at \$1,630 per month. A \$500 one-time set-up fee per web server will also apply. In general, these rate changes will result in an increase for Cannery customers and a decrease for Gold Camp customers. A comparison of the new rate to the existing rates is provided in the attachment.

WebSphere Application Server Support

Effective July 1, 2007, the DTS is adopting a common rate of \$1,484 per server, per month, for WebSphere Application Server Support, and a rate of \$848 for Web Server support. For a server with a combination of Web/Application Server, the rate will be \$2,332 per server, per month. The maximum number of applications run on a server is three and could be less, depending on the required application resources. In addition, web server support is not

* Based on normalization to an IBM 2064-116 model rated at 8,117.7067 SUs (service units) per second.

offered on a shared platform. These rate changes will result in an increase for Cannery customers. A comparison of the new rate to the existing rates is provided in the attachment.

Telecommunications and Network – Wide Area Network Services

Effective July 1, 2007, the current array of charges for DTS networking services will be simplified to five categories. The following list explains the general approach for each of these service categories:

Service 1: Access Equipment Lease

With this service, customers lease access equipment (i.e., routers) from DTS, and DTS provides a program of technology refresh. Rate includes the purchase price of equipment, plus vendor maintenance for all DTS equipment installed at the customer location.

Equipment lease costs will be based on the average cost of common remote site device models. Unique configurations will be individually priced for each customer. Customers who currently own access equipment can continue to do so, or they may transition to DTS-owned equipment when equipment needs to be replaced or upgraded.

Service 2: Access Site Support

This service includes installation and ongoing support of the access equipment and access circuit. Specifically, this includes DTS management of the network to ensure availability and security features, as well as, to provide appropriate customer views into the network.

Recognizing that customers have unique needs, several connection styles are available under this rate. Please refer to the attachment for more detail about each style. Rates for support of access equipment are as follows:

- a. DTS Router -- \$241 per month
- b. DTS Firewall -- \$68 per month
- c. DTS LAN Switch -- \$276 per month
- d. High Availability -- \$72 per month
- e. MAN -- \$1,048 per month
- f. Site to Site VPN -- \$209 per month
- g. Customer HUB networking --\$20 per month, per site
- h. Remote Access/Dial Up -- \$3.85 per hour
- i. Remote Access/Individual VPN -- \$4.40 per month
- j. Customer provided and provisioned circuit and equipment -- \$1,013 per month.
(Applies to third-party circuit connections)

Service 3: Access Circuit

This service is a "pass-thru" of the CALNET cost for access circuit and carrier installation fees. DTS procures the circuit and coordinates installation; therefore, this rate also includes a nominal DTS handling charge.

Service 4: Statewide Backbone Support

Through this service, each access site is charged its proportional share of the statewide backbone infrastructure. The model for this rate was developed based on the current use of the statewide backbone and private networks by our customers and is described in more detail in the attachment.

1. General Internet Protocol Network -- \$ 205 per month
2. Private Statewide Internet Protocol Network -- \$ 105 per month
(In addition to the Gen IP Network charge above)

Additional DTS installation fee of \$500 applies to circuit installs, relocations, or deletes, and SNA equipment installs swaps, or deinstalls.

Service 5: Statewide Backbone Bandwidth Usage

This service addresses customer usage of the statewide backbone. A rate of 25 percent of the circuit costs (Service 3) for each site will be applied. This percentage reflects the current distribution of costs between the backbone circuit costs and the access circuits.

When all of the above changes are implemented, the overall revenue reduction to DTS reflected in cost savings to customers will be \$26.7 million annually. This figure is based on actual customer usage from the first quarter of FY 2006/07. Please note that departmental budgets will need to be adjusted for customers who have an overall increase due to these proposed changes. DTS is also researching possible ways to mitigate some customers' network increases.

Please refer to the attached service descriptions for more detail regarding DTS service offerings affected by this proposal. Additional opportunities to learn more about these changes will be announced in the coming months.

To view a copy of the DTS Billing Rates schedule, please visit the DTS website at: <http://www.dts.ca.gov/Customers/rates.asp>. If you have any questions, please contact Colleen Field at (916) 464-0997 (CALNET 433-0997), or email dtsbilling@dts.ca.gov.

DTS values your continued support and welcomes your suggestions.

Attachment